

Message Text

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ACTION H-02

INFO OCT-01 ISO-00 SSO-00 AS-01 /004 W

----- 005906

O 071726Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 5494

C O N F I D E N T I A L SECTION 01 OF 03 BONN 00250

DEPARTMENT PASS TO LEVINSON, SENATE FOREIGN RELATIONS
COMMITTEE FROM BLUM.

E.O. 11652: GDS

TAGS: MASS, GW

SUBJECT: ARM SALES

1. THE FOLLOWING IS AN ENGLISH TRANSLATION OF THE TEXT
OF RATH'S MEMORANDUM OF CONVERSATION WITH BAUER.

BEGIN TEXT:

DURING OUR DISCUSSION AT THE HOTEL REGINA IN MUNICH,
SCHANI (BAUER) HAS EXPLAINED THE FOLLOWING TO ME:
PERTAINING TO F-104:
IN CONNECTION WITH THE F-104 SELECTION, FUNDS WERE
EXPENDED BY THE TWO DIFFERENT COMPANIES. TO
SCHANI'S KNOWLEDGE, THE GRUMMAN CO. DID PAY TO PRESIDENT
BENECKE, WHO AT THAT TIME WAS SUB-SECTION CHIEF OF THE
DEPARTMENT T. WITHIN THE GRUMMAN CO. ONLY THREE
PEOPLE WERE INFORMED OF THIS TRANSACTION.

FURTHER INFORMATION COULD BE OBTAINED FROM THE EXEC-
UTIVE VICE-PRESIDENT, BOB (ROBERT) HALL. SCHANI
PRESUMES THAT IF ONE WERE TO CLEVERLY ADDRESS HALL
WITH RESPECT TO LOCKHEED AND THE F-104, THAT HE (HALL)
WOULD TALK.

THE GRUMMAN CO. WAS VERY ANNOYED BY BENECKE'S CONDUCT
AS HE LED THEM TO BELIEVE UP TO THE VERY LAST MOMENT
THAT THEY WOULD GET THE BUSINESS WITH THE "SUPERTIGER".
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FURTHERMORE, SEVERAL MONTHS AGO, HE (BENECKE) WAS

ASKED TO USE HIS INFLUENCE FOR THE COMPANY AND HE VERY STRONGLY OBJECTED TO THIS.

THE SECOND COMPANY WHO PAID MONEY BECAUSE OF THE F-104 SELECTION WAS LOCKHEED. TO THIS END, LOCKHEED PAID BRIBES IN JAPAN AS WELL AS IN GERMANY. KENNETH HULL, WHO IS APPROXIMATELY 50 TO 60 YEARS OF AGE AND WHO RESIDES IN LOS ANGELES, HAD CARRIED OUT THE JAPAN OPERATION. BUT HULL ALSO KNEW ABOUT THE TRANSACTIONS WHICH WERE DONE IN GERMANY. THIS CAN BE SEEN BECAUSE HE, FOR INSTANCE, DURING A DISCUSSION HE HAD ABOUT THE MONEY WHICH HE HAD HELD BACK FOR HIS OWN POCKET, MADE FUN OF FRANK-FAHLE WHO HAD TRANSMITTED THE TOTAL AMOUNT OF MONEY. DURING THESE TALKS, HE WAS TO HAVE SAID IN ENGLISH, THAT AT LEAST HE HAD "STICKY" POCKETS, BUT THAT NOBODY COULD DO HIM ANY HARM OR PROVE ANYTHING, BECAUSE NOBODY COULD STEAL MONEY THAT DID NOT EXIST IN THE FIRST PLACE.

AT THIS PARTICULAR TIME, KENNETH HULL HAD AN ASSISTANT BY THE NAME OF ANTHONY CHATMANN. CHATMANN IS NOW EMPLOYED BY GENERAL DYNAMICS.

AMONG INFORMED PEOPLE, THE BRIBING BY THE LOCKHEED CO. WAS AN OPEN SECRET. THIS KNOWLEDGE EVEN HAD A CERTAIN BUSINESS VALUE. HE, SCHANI, FORMERLY DID GOOD BUSINESS WITH LOCKHEED, HOWEVER, THEN HE SUDDENLY WAS FACED WITH DIFFICULTIES. SUBSEQUENTLY HE WENT TO SEE CARL HADDON, WHO AT THAT TIME WAS VICE-PRESIDENT OF LOCKHEED. HE TOLD HIM THAT HE WAS NO PIG, BUT THAT IF ONE TRIED TO SLIT HIS THROAT AND IF ONE WOULD NOT LET HIM ALONE, THEN HE (SCHANI) WOULD HAVE TO, MERELY TO SAVE HIS SKIN, GET UP DURING A STOCKHOLDER CONFERENCE AND ASK DETAILED QUESTIONS ABOUT THESE MONIES. HADDON REPLIED THAT HE HAD NEVER HEARD OF AND WAS NOT AWARE OF SUCH THINGS HAVING HAPPENED. IN SPITE OF THIS, THERE WAS AN IMMEDIATE CHANGE IN BUSINESS RELATIONS. SCHANI NOW GETS SMALL CONTRACTS FROM LOCKHEED, AND HE MAY CARRY THESE OUT WITHOUT BEING BOTHERED. SCHANI PRESUMES THAT HADDON POIBLY HAD NO PERSONAL KNOWLEDGE OF THESE CONFIDENTIAL

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MATTERS. ALSO WITHIN THE LOCKHEED CO., THE NUMBER OF THOSE BEING INFORMED WAS KEPT TO A MINIMUM.

THE MAN, WHO PRIMARILY DISTRIBUTED THE MONIES REQUIRED IN GERMANY BUDGET-WISE, WAS NAMED PAUL WHITE. APPROPRIATED WAS AN AMOUNT OF APPROXIMATELY 1.1 TO 1.3 MILLION DM. THIS AMOUNT WAS DESIGNATED AS "EXTRA-ORDINARY EXPENSES" (BENEFICIAL EXPENSES). IN ANY CASE,

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ACTION H-02

INFO OCT-01 ISO-00 SSO-00 AS-01 /004 W

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O 071726Z JAN 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 5495

C O N F I D E N T I A L SECTION 02 OF 03 BONN 00250

FRANK-FAHLE WAS INVOLVED IN THE DISTRIBUTION OF THIS MONEY. WHITE HAD LEFT THE COMPANY ABOUT 4 TO 5 YEARS AGO, BUT HE STILL BEFRIENDS INFLUENTIAL PEOPLE OF THE COMPANY. HOWEVER, IF HE IS IN THE RIGHT MOOD OR SURROUNDED BY THE RIGHT COMPANY, WHITE WOULD OPENLY DISCUSS THESE THINGS.

AFTER THIS MONEY HAD BEEN PAID, SUDDENLY THERE WAS A GREAT FEELING OF FEAR AT THE LOCKHEED CO., BECAUSE MR. SELLSCHOPP, WHO HAD RECEIVED A SUBSTANTIAL SHARE OF THESE MONIES, HAD USED THE MONEY IN ORDER TO PURCHASE REAL ESTATE PROPERTIES. AS FAR AS SCHANI KNOWS, THESE PROPERTIES WERE SITUATED AT THE RIVIERA, BUT SCHANI HAD ALSO HEARD THAT THE PROPERTIES WERE SITUATED WHERE SELLSCHOPP HAD BEEN STATIONED AT ONE TIME. WHEN IT WAS DETECTED THAT SELLSCHOPP HAD INVESTED HIS MONEY IN REAL ESTATE, THE OPINIONS AT THE LOCKHEED WERE "FOR GOD'S SAKE, THESE GUYS DO NOT KNOW HOW TO MANAGE SUCH MONEY AND THEY WILL CAUSE A DISASTER FOR US".

THE SECOND PERSON WHO IT IS CERTAIN RECEIVED MONEY FROM LOCKHEED IS PRESIDENT BENECKE.

THE THIRD MAN INVOLVED SUPPOSEDLY IS AN OFFICER. WHETHER THIS WOULD BE COL. WERNER OR SOMEONE ELSE,

SCHANI DID NOT KNOW. IN THE COURSE OF THE DISCUSSION,
SCHANI LATER MENTIONED THAT BRIAN CLARK HAD ESTABLISHED
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A CONNECTION WITH WERNER AT A LATER DATE.

IN ANY CASE, FRANK-FAHLE WAS RESPONSIBLE FOR THESE
FINANCIAL TRANSACTIONS IN GERMANY.

POSSIBLY ALSO INFORMED WAS FRED MEUSER, WHO NOW RESIDES
IN ST. MORITZ, LATEGIA, AND WHO FORMERLY WAS THE
EUROPEAN LOCKHEED (OR GARRET) REPRESENTATIVE.
IN ST. MORITZ, MEUSER CAN BE REACHED UNDER THE TEL NO.
3 46 66. TO DATE HE IS WORKING FOR MICRO-TECHNICS AND
THUS STILL WORKS FOR LOCKHEED. AT ONE TIME LOCKHEED
OWNED 40 PERCENT OF THE MACKIE
(MICRO-TECHNICAL?) SHARES IN VARESE. FORMERLY, MEUSER
WAS GENERAL KLM REPRESENTATIVE IN THE UNITED STATES,
AND SUBSEQUENTLY HE WAS GENERAL REPRESENTATIVE OF THE
LOCKHEED CO. IN EUROPE. IN CONNECTION WITH MEUSER,
SCHANI MENTIONED THE DESIGNATION "CFC", BUT I DO NOT
REMEMBER WHAT WAS MEANT BY THIS.

IN THE COURSE OF THIS DISCUSSION, SCHANI POINTED OUT
THAT IT WAS VERY DANGEROUS THOUGH, TO DIG INTO THIS
BUSINESS, BECAUSE AFTER ALL MR. ABS WAS ALSO
INVOLVED IN THE EARNINGS OF THIS WHOLE THING, EVEN IF
ONLY BY A QUARTER PERCENT.

POSSIBLY, THE "DEUTSCHE BANK" IS ASSOCIATED WITH THE
DEUTSCHE KOMMERZ, I.E., WITH THE FRANK-FAHLES CO.

WHEN ASKED THE QUESTION WHETHER THE LOCKHEED CO.
ALSO DEFRAUDS THE BUNDESWEHR (FEDERAL ARMED FORCES),
SCHANI REPLIED THAT ONE COULD NOT CALL THIS DEFRAUDING
AS SUCH. IT WAS ALL VERY CLEVERLY DONE. FOR
INSTANCE, SCHANI HIMSELF HAD ALREADY EXPLAINED TO
MR. EWERS IN 1960, THAT IT WAS STUPID THAT THE BUNDES-
WEHR PURCHASED EVERYTHING FROM THE LOCKHEED CO.,
AS THE LOCKHEED IN TURN WOULD PURCHASE FROM OTHER
COMPANIES, AND THIS THEN WOULD RESULT IN A COST
INCREASE BY MORE THAN 60 PERCENT. TO GIVE AN EXAMPLE,
AN ITEM WOULD BE PURCHASED BY LOCKHEED INTERNATIONAL
AT A PRICE OF 10 POINTS. LOCKHEED INTERNATIONAL SELLS
THIS ITEM AT 15 POINTS TO LOCKHEED BURBANK. THEN
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LOCKHEED BURBANK RESELLS THIS ITEM AT 16.5 POINTS TO THE BUNDESWEHR. IF THE BUNDESWEHR WOULD PURCHASE AN ITEM DIRECTLY, IT COULD ALSO PURCHASE THE ITEM AT A PRICE OF 10 POINTS.

DURING THE FURTHER COURSE OF THE DISCUSSION, SCHANI MENTIONED THAT THERE WAS ALSO A RUMOR THAT GRUMMAN AND NORTHROP HAD ACTUALLY OFFERED MONEY IN CONNECTION WITH THE DECISION ON THE SELECTION TO BE MADE, BUT THAT THEY THEN DID NOT PAY THE MONEY. SCHANI FOR ONE IS OF THE OPINION THAT THIS HOLDS TRUE FOR GRUMMAN, WITH THE EXCEPTION THAT IT PAID OFF BENECKE.

IN SCHANI'S POINT OF VIEW, THE PRESENT REPRESENTATIVE

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ACTION H-02

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TO SECSTATE WASHDC IMMEDIATE 5496

C O N F I D E N T I A L SECTION 03 OF 03 BONN 00250

OF THE LOCKHEED CO. SOUTH-GROUP, HERBERT SANTER, IS AN HONEST AND RESPECTABLE MAN.

SCHANI RELATED THAT HE HAD BOUGHT SMALL BUSINESSES, AND THAT ASIDE FROM THE NORMAL BUSINESS, WHICH WERE EXPLAINED MORE IN DETAIL BY BROCHURES WHICH SCHANI PRESENTED, HE WAS RUNNING AN AIR LINE REPRESENTATION SERVICE.

HE TOLD ME THAT IF WE WANTED CHARACTER REFERENCES, WE COULD OBTAIN THEM FROM MR. DIEDRICH WAGNER AT THE

LUFTHANSA MATERIAL PLANNING OFFICE, FRANKFURT. I HAVE EVEN GOTTEN THE IMPRESSION THAT IT WOULD BE RATHER AGREEABLE TO SCHANI, IF THE FEDERAL MINISTRY OF DEFENSE WOULD REQUEST SUCH DOCUMENTS FROM WAGNER, HOWEVER, DOING SO BY USING A BWB FILE INDICATION, OR ONE OF THE DEPARTMENT T OR W RESPECTIVELY. POSSIBLY ONE COULD APPROACH MR. BOEK OF DEPARTMENT W AND ASK HIM TO OBTAIN SUCH A REFERENCE AT A TIME OF VACATION SUBSTITUTION. THIS COULD BE DONE ALONG THE LINES "WE HAVE HEARD THAT HE (SCHANI) IS AN EFFICIENT BUSINESSMAN..".
END TEXT.

2. PLEASE REMEMBER THAT RATH REQUESTED SOURCE OF INFORMATION BE PROTECTED ALTHOUGH CONTENTS CAN BE USED.

HILLENBRAND

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